

IT'S THE “VISION THING” AGAIN

Why Not Tax Cuts for Iraq?



A Report by the Minority Staff of the
House Appropriations Committee

Bush Views Public Investment as High Priority in Iraq, Low Priority at Home

In the early 1990s the first President Bush faced mounting criticism for what some perceived as a lack of vision in his policies and the direction he wanted to lead the country. The second President Bush appears to have a distinct vision for both the United States and the kind of nation he would like to build in Iraq. The problem is the two visions seem to be based on precisely the opposite prescriptions of how to achieve lasting economic growth and security.

Here at home President George W. Bush has insisted on deep tax cuts aimed at individuals most likely to reinvest their tax savings and on heavy constraints on public investments in both infrastructure and home based security. Just last year he attempted to cut highway spending by \$8 billion below the previous years level. He has flatly rejected proposals to repair and upgrade dilapidated schools, proposed no federal role for improving the nation's power generation or

transmission system (his party in Congress opposed such a proposal) and insisted on holding funding for sewer and water improvements at a level that will not allow for needed repairs and replacements of aging systems and ultimately leave the American people with huge liabilities when those systems begin to fail. In fact, the President's budget for the coming year proposed to cut \$450 million below current year levels in assistance to local communities for sewer and water system repair and improvement. He has repeatedly sought deep cuts in funding for water resource infrastructure including a proposed cut of \$500 million in flood control and irrigation systems in his proposed budget for the coming year.

President Bush has also had repeated arguments with the Congress over what constitutes an adequate level of spending for Homeland Security. He has repeatedly threatened to veto bills that contained more funds for border security, assistance to local

fire and police departments and improved security of our ports.

But the approach being proposed in the “*Shock and Awe Supplemental*” that he is now requesting for Iraq is quite different. Iraq, with a population of 23.5 million people (about 2/3s the population of California) will get \$20.5 billion in assistance from the U.S. Treasury over the course of the next twelve months. This assistance will be aimed largely at the very kinds of infrastructure investments that the Bush administration has so actively opposed here at home. With respect to certain areas of infrastructure investment the level of assistance sought for Iraq exceeds the amount the federal government provides to all fifty states in this country. On a per capita basis, the request for Iraq exceeds—and in most instances dramatically exceeds—the investments being made by the federal government here at home.

Sewer and Water

The Administration request “to fund repairs and improvements to water and sewerage services” in Iraq totals \$3.7 billion.

The federal government also provides assistance to local governments here in the United States to upgrade sewer and water systems. Those programs have received heightened attention since the Environmental Protection Agency issued a peer reviewed report last year indicating that there was a rapidly growing gap between the nation’s needs for water and sewer infrastructure and the investments currently being made in such systems. EPA estimated that over the next two decades that gap would grow to \$662 billion dollars.

The three federal programs that provide such assistance were funded in fiscal year 2003 at a level of \$4.1 billion. Even if the current federal funding levels for these programs were doubled, the increased spending would meet only 12% of the need that the EPA has projected.

The disparity between this Administration’s willingness to finance infrastructure improvements in Iraq and its policy here at home becomes evident when the spending levels are examined on a per capita basis. With 23.5 million people, Iraq will be receiving \$157.45 per person from the \$3.7 billion in the President’s supplemental request. The 285 million U.S. citizens will get \$14.39 each in federal sewer and drinking water funds.

Water Use and Conservation

The Administration has also proposed that the U.S. federal government make a major contribution to repairing and upgrading the complex system of dams, canals, and irrigation pipes in the Tigris-Euphrates valley. The total Administration request for such activities is \$900 million.

This will likely be a sensitive issue in parts of the United States where there are strong feelings that the United States is not adequately maintaining existing water resource, navigation and irrigation projects under the supervision of the United States Corps of Engineers and the Bureau of Reclamation. Those activities were funded last year at a level of \$5.6 billion after Congress rejected a proposed administration cut in such programs of \$500 million.

On a per capita basis, Iraq will receive \$38.30 for water resource projects from the U.S. federal government and the United States will receive only \$19.69.

Rehabilitation of Electric Power Infrastructure

The Administration's new supplemental request also contains \$6 billion "to rehabilitate the electric power infrastructure" of Iraq. What remains uncertain is whether the security situation on the ground in Iraq will permit these investments to remain in place and functional once they have been delivered.

The effort to rebuild the Iraqi electrical power infrastructure comes in the wake of massive blackout of electrical power that affected parts of the Midwest and major portions of the Northeastern United States and only two years after weaknesses in the Western power grid exacerbated the energy problems facing the state of California. It is clear that policies to privatize generation and transmission capacities have left the nation's electrical power infrastructure undercapitalized and the country vulnerable to not only serious inconvenience but also breakdowns in power transmission that could cost lives and damage the overall economy.

The Bush Administration has offered no effective policy to insure the availability of capital to correct the weaknesses in our electric power infrastructure and has in fact gone on record in opposing a public

role. Members of the President's party in Congress have in fact voted down proposals to provide federal funding and so the only federal involvement in our power infrastructure in a \$200 million subsidy paid the several of the federal power marketing administrations.

The new Administration policy in Iraq is in sharp contrast with the policy here at home. The \$6 billion request for Iraq power equals a per capita investment of \$255 compared to the investment here at home of 71 cents per person.

Hospitals and Clinics

The Administration is requesting \$900 million "to repair, and equip hospitals and primary clinics" in Iraq. Once again this is in sharp contrast with the administration's domestic policy regarding medical infrastructure. Last year the Congress insisted on placing \$295 million in the budget of the Department of Health and Human Services for specific repairs, upgrades and construction at hospitals and clinics across the United States despite the fact that the administration made no request for such funds. In the President's budget for the coming fiscal year no funding for such purposes is requested. The administration has

requested only \$525 million to meet infrastructure needs at U.S. Veterans Hospitals that are estimated to be in excess of \$4 billion. The need for construction, and infrastructure at U.S. military medical facilities is \$1.3 billion for which the President requested only \$120 million.

On a per capita basis we will be spending \$38.30 per person in Iraq for medical infrastructure next year if Congress approve the President's supplemental request compared to about \$3.30 here at home.

Borders and First Responders

While the administration argued that the purpose of the U.S. invasion of Iraq was to protect the United States from terrorism, the supplemental request indicates that we will be spending more on a per capita basis to protect Iraqi borders than we are spending to protect our own. The request includes \$2.1 billion "to fund public safety including border enforcement, police, fire and customs and enhanced communications.

These are the very issues that many in Congress have argued repeatedly with the White House are being underfunded here at home. Efforts to increase funds for customs and immigration service border guards have repeatedly drawn veto threats from the

Bush White House. In one instance, the second supplement for fiscal year 2002 which was sent to the White House last July, the President refused to spend \$134 million for increased customs and immigration efforts on our borders. Currently the 5,500 miles of border that the United States shares with Canada is protected by only 3500 agents with only about 800 on duty during an average shift. That means that we typically have only one border agent on duty for each seven miles of the U.S. Canadian border.

A similar situation exists with respect to assistance to local fire, police and other first responders. The Council on Foreign Relations has issued repeated warning that local fire, police and medical teams do not have the equipment or training necessary to respond effectively to terrorist attacks and the federal government must substantially increase its contribution to that effort if our capacity to cope with an attack is to be significantly improved. The president has requested only a fraction of the funds necessary and opposed efforts by the Congress to to increase funding for such purposes above the amounts requested. In the Homeland Security Appropriation now before the House Senate Conference, \$4.9 billion is provided for the Customs and Border Protection Service, \$3.4

billion is provided for the Immigration and Customs Enforcement Service, \$3.3 billion for first responders in the Office of Emergency Preparedness, \$405 million for emergency management preparedness and \$750 million for grants to local fire fighters. The President has requested only \$2.3 billion in the coming year in Justice Department grants for first responders and public safety. That is a cut of \$1.2 billion below last years level and the final decision on funding for those programs will not be made until the Commerce Justice State Department Appropriation Bill clears the Senate floor and is sent to conference.

The \$2.1 billion contained in the President's supplemental request for Iraqi border enforcement, police, fire and customs services totals about \$89.36 dollars per person in Iraq. The \$14.4 billion requested for similar activities here at home totals only \$50.66 per U.S. citizen.

Other Items Requested for Iraq

The Administration's supplemental request also contains a number of other items on which there is at this time too little information to associate directly with specifics items in the federal domestic budget but which may eventually offer similar parallels to

those noted above as more information becomes available. These include, \$900 million *"to provide justice and civil society development;"* \$2.1 billion to *"rehabilitate oil infrastructure and secure domestic consumption;"* \$800 million to *"repair transportation facilities and telecommunications infrastructure;"* \$500 million to *"upgrade housing, public buildings, roads and bridges"* and \$300 million to *"invest in private sector business initiatives and jobs training programs."*

In total, the supplemental proposes \$20.3 billion for Iraq, equal to about \$864 per Iraqi citizen. That does not include whatever contributions the Administration succeeds in soliciting from the international community. It also does not begin to cover the huge out year costs already outlined by Ambassador Bremner. The request for instance included only \$3.7 billion for first year efforts for

both sewer and water. That compares with Bremner's estimate at a Washington news conference in early September that the cost for restoring the drinking water infrastructure would be approximately \$14 billion and the cost for sewer repair and upgrades was so huge that no estimate was at that time possible. How much more the White House will be asking of Americans to add to their public debt to offset these needs in Iraq remains an open question.

On top of that question is also the matter of why tax cuts are so valuable in dealing with these issues here in the United States but only the cold cash of the American people will solve similar problems overseas. Perhaps the Administration should explore tax cuts for Iraqis as a substitute to the large sums recommended in the current supplemental.

Program

Per Capita Expenditure

Iraq Supplemental "to fund repairs and improvements to water and sewerage services."

\$3,700,000,000

\$157.45



EPA Clean Drinking Water Grants
EPA Clean Water (Sewage Treatment) Grants
Agriculture Rural Sewer and Water Grants

\$1,300,000,000

\$2,455,000,000

\$346,000,000

Total U.S. Spending

\$4,101,000,000

\$14.39



Iraq Supplemental "to fund repairs to facilitate and conserve water resources."

\$900,000,000

\$38.30



Army Corps of Engineers
Bureau of Reclamation

\$4,639,000,000

\$972,000,000

Total U.S. Spending

\$5,611,000,000

\$19.69



Iraq Supplemental "to rehabilitate the electric power infrastructure."

\$6,000,000,000

\$255.32



**Federal Contribution to Federal Power Marketing Administrations
Rural Electric Administration**

\$202,000,000

Total U.S. Spending

\$202.000.000

\$0.71



Program

Funding

Per Capita Expenditure

Hospitals and Clinics

Iraq Supplemental "to contract, repair, and equip hospitals and primary clinics."

\$900,000,000

\$38.30



FY 2003 Appropriation

HHS Grants to Repair/Upgrade/Construct Hospitals and Clinics
Infrastructure Improvements for Veterans Medical System
Infrastructure Improvements for U.S. Military Medical Facilities

\$295,000,000

\$525,000,000

\$120,000,000

\$940,000,000

\$3.30



Total U.S. Spending

Borders and First Responders

Iraq Supplemental "to fund public safety including border enforcement, police, fire and customs a

\$2,100,000,000

\$89.36



FY 2004 Appropriation

Customs & Border Protection
Immigration and Customs Enforcement
Firefighter Grants
Office for Domestic Preparedness
Other Preparedness Funding
Department of Justice First Responder and Public Safety Grants

\$4,934,635,000

\$3,487,636,000

\$750,000,000

\$3,287,000,000

\$405,000,000

\$2,337,232,000

\$15,189,503,000

\$53.30



Total U.S. Spending

U.S. Per Capita Spending in Iraq & the U.S.

